



The Connecticut Association of Not-for-profit Providers For the Aging

## **Informational Hearing on Nursing Home Funding**

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Presented by Mag Morelli, CANPFA President

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Bonnie Gauthier, President and CEO of Hebrew Health Care, Member of  
CANPFA and AAHSA Board of Directors

Good morning. My name is Mag Morelli and I am the President of the Connecticut Association of Not-for-profit Providers for the Aging, (CANPFA), an association of over 150 not-for-profit providers of aging services representing not-for-profit senior services across the continuum of care including fifty-two nursing homes. On behalf of these members I would like to thank you for this opportunity to speak to the current financial concerns regarding the nursing home segment of our continuum.

I am joined on the panel today by Trish Walden, Vice President of Central Connecticut Senior Health Services, and Bonnie Gauthier, President and CEO of Hebrew Health Care, who are both members of the CANPFA board of directors; and Ms. Gauthier is also on the board of the American Association of Homes and Services for the Aging (AAHSA).

Let me begin by discussing the fact that Medicaid is the single most important public source of financing for nursing home care. This is so because on average 69% of the residents cared for in a nursing home are Medicaid recipients - which means that Medicaid is paying for their nursing home care.

These Medicaid dependent residents are individuals who have led long and productive lives, who have accessed care from other elements of the long term care continuum, who have moved along that continuum as they have aged or as their disease has progressed; and who have reached a level of care need such that a nursing home is now the most appropriate or preferred care setting.

Contrary to popular belief, *Medicare* does not pay for long term nursing home care. Therefore an elderly resident must pay for their nursing home care privately until their private resources are exhausted (or "spent down"), and then their only option is to apply for and receive state assistance - which is Medicaid. Medicaid will pay for their nursing home care from that point forward.

The "spend down" in a nursing home can happen very quickly and very often elderly residents have already exhausted most of their private assets paying for care at home or in an assisted living community before they arrive at the nursing home.

These residents are the men and women who taught us in school, who delivered our mail, who built our homes, and who fought in our wars. They are our relatives, our friends and our neighbors. Most did not plan to need nursing home care, but now that they do, the Medicaid program's coverage of nursing home care is their only safety net and the one they must rely upon.

Since the vast majority of nursing home residents are covered by the Medicaid program, the nursing homes themselves are very dependent upon the Medicaid rates of reimbursement they receive for these residents. But the fact is that the Medicaid rates of reimbursement do not meet the costs of providing the care for the residents. This chronic underfunding by Medicaid has caused financial stress throughout the nursing home field. The system is severely strained and now the flat funding and additional cuts that are proposed in the Appropriations Committee's budget will only intensify this strain and push more homes to the brink of financial disaster. The state cannot allow this to happen.

The current Appropriations Committee budget proposes cuts of \$337.2 million in funding for Medicaid's nursing home rates over the next two years. This includes:

- Cutting \$241.3 million in statutory rebasing of the rates and the \$49.6 million statutory inflationary adjustment which will force nursing homes to make equally severe cuts in operational costs. There are not many places we can go to find these cuts. 70% of our costs are related to personnel. Staffing, heat, medical supplies, food – these are our expenses.
- Cutting \$6.3 million by placing a freeze on fair rent increases which will prevent building repairs and renovations.
- Cutting \$40 million by lowering of the administrative and general (A&G) cost cap in our rate calculation. A&G costs include utilities, security, maintenance personnel, administrative personnel and other administrative costs.

These cuts threaten the entire nursing home field and we cannot afford to let that happen because the nursing home remains the cornerstone and the safety net of our long term care system.

Home and community based services are a valuable resource for our elderly. The members of CANPFA provide those services. In fact, they have been the change agents that have created the systems and models of care that are providing full continuums of long term care services across the state. But the nursing home remains the foundation of that continuum. We cannot afford to let that foundation crumble.

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Good morning, my name is Trish Walden. I administer the operations of two skilled nursing facilities; three assisted living sites; an adult day center; and two geriatric resource and assessment services. I began my career in the 1970's working my way through college as a nurse's aide in an inner city nursing home in New Haven, CT. I learned most of what I needed to know in my career from a beautiful 85-year old grandmother we called Mama DeGennaro. Mama taught me to respect my elders, not just because they are older and perhaps ill or frail, but because they have built the foundation that I will live my life upon. I learned that no one plans to grow up, build a family and career and then end their life in a nursing home. But if a nursing home is needed, it should be clean and in good repair and feel as much like home as possible. Mostly, it should be staffed and frequented by people who genuinely care about those who are living there. I learned a lot from Mama DeGennaro, and so many other elders along the way. I am here today to speak for many who cannot be here.

What role does a nursing home play in the care continuum?

Nursing homes are an essential element not only of the long term care continuum, but also in the larger health care system. Nursing homes are multi-faceted facilities that strive to provide an array of services for a variety of patients and residents and payer sources. We are the providers of post-acute patient care, short-term physical and occupational rehabilitation and therapy care, and extremely important respite care.

While Medicare will not pay for long-term nursing home services, it does pay for post-acute, short-term rehabilitation services and therefore most successful nursing facilities develop strong rehabilitation departments to attract Medicare clients. This accounts for an average of 16% of residents system wide. A strong complement of Medicare, commercial and private pay in your payer mix is extremely important to offset the shortfall in the Medicaid rate and the drain of the increasing number of residents who have no payer source because they are waiting for a determination of their Medicaid eligibility or because a Medicaid penalty has been imposed upon them due to an inappropriately transferred asset.

This means that there is a need for the nursing homes to be healthy, vibrant and progressive – both to attract private pay and Medicare residents with state of the art rehabilitation services and to provide the most comforting and high quality long-term care services. Most of all, for all the Mama DeGennaro's who come to us for care.

We must become Agents of Change if we are to meet the challenges of today and tomorrow.

As providers of care to our elders we need to be ready to respond to the many changes we see occurring in the near future. For instance:

- The federal government is proposing major changes to the Medicare post acute reimbursement system.
- The state is anticipating an aging population with a growing demand for long term services.
- Technology and medical research are bringing advances to the geriatric health care field.

We live in unprecedented times. Some would say that desperate times call for desperate measures. When we are talking about the most vulnerable people in our society we must call for thoughtful measures, new and innovative ways of solving problems, we must collaborate around best practices and we must truly be "agents of change." As a government and a society we must invest in our own futures by providing the resources and thought necessary to ensure that we overcome the challenges we face. There are many possible solutions to these challenges.

In particular we recommend that we become more responsive to regional bed need. We need the ability to efficiently and effectively reduce and/or increase the inventory of nursing home beds to meet the census trends and the care needs of our aging population. Right now the state lacks a thoughtful planning process. It often seems that our nursing home policy is determined by failure. We tend to take action after the crisis has occurred. We would propose a more thoughtful process for planning that would allow the state, providers and consumers to better respond in a proactive mode to population and care need trends.

We are currently averaging a statewide nursing home census of 91%. Running a nursing home at this census level is not efficient and it can have serious financial implications for individual homes. It is much more cost effective and would help to stabilize the nursing home field if our statewide census was closer to 96%. However, to do this we need to have an objective view of the statewide bed need and the ability to make proactive policy decisions.

There are areas of the state that have a very strong census and homes that have long waiting lists for placement. It is conceivable that homes in these areas could be allowed to add up to ten beds through an expedited CON process. Conversely, in areas of the state where there is a lower census we should consider allowing homes to downsize their bed counts either on a permanent or temporary basis and utilize a portion of the savings to provide them with either rate relief or initial capital to seed the development of a community based model of care that can complement the skilled beds. After all, we are experienced care

providers and it makes sense to utilize our expertise and knowledge and enable us to create innovative models of care.

All of this calls for a more proactive planning process. As providers we believe we need to be part of that process. Ideally a statewide nursing home planning process should be comprised of government, provider and consumer representation. We urge you to make this a priority as we move forward into the next two years. Better statewide planning would make our nursing home field financially stronger and would preserve this essential element of our health care field.

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Good morning, my name is Bonnie Gauthier. I President and CEO of Hebrew Health Care in West Hartford which provides a full continuum of long term care services including a 287 bed skilled nursing home. I also sit on the board of the American Association of Homes and Services for the Aging. I am here to speak to the fact that we are not alone in this crisis; it is one that we share with the rest of the nation. The crisis in how we finance long-term care in this country is real, it is huge and we can no longer look the other way and ignore it. We must solve it. It is a problem which touches millions of Americans—with out regard to age, race or gender. It is a problem that most of us in this room will confront personally in the next decade.

By the year 2020, 12 million older Americans will need long-term care. The increasing burden on Medicaid is unsustainable. Medicaid costs for long-term care will double by 2025 and increase five-fold by 2045. The state cannot withstand this burden alone – we must act as a nation.

Right now Congressional committees are drafting health care reform legislation, and we would propose that an essential element of health care reform must be ensuring that vulnerable populations have access to coverage that meets their care needs. Therefore, we have been sending the message to Washington that any meaningful health reform proposals must include coverage for long term services and supports.

But our Senators and Representatives need to hear this message not just from us; they need to hear it from you – the state leaders who are dealing now with the growing and unsustainable burden of Medicaid costs. We urge you to raise this issue with our Connecticut delegation and with the White House. Help them understand the need to alleviate the growing financial burden of long term care services on the state.

It is time to include long term services and solutions in federal health care reform. For persons with disabilities and chronically ill older Americans -- arguably the most vulnerable populations in the nation -- long-term services and supports are their primary unmet care need, and are critical to promoting health and

preventing illness. And it can be done. I can tell you with confidence that viable long term care solutions, able to be implemented nationally, exist today.

Mindful of our nation's desperate need for a long-term care financing solution, our national association, AAHSA assembled a representative think tank to recommend a model for future financing for long-term care. Some of the most knowledgeable financial people in long term care across our country participated in this blue ribbon Finance Cabinet, including our own CFO at Hebrew Health Care, David Houle. The result was an idea for a financially sound national insurance plan founded on three core principles: consumer choice, financial responsibility, and equity of benefits - with an assumed goal to get as close to universal long-term care coverage as possible. The idea has been studied, it has been modeled, and it has been determined to be actuarially sound and affordable. And it can save state Medicaid programs millions and millions of dollars.

If anyone is interested, I can share with you the details of this plan, but the important thing to consider is that there is a plan – and there may be other plans that can offer citizens of this country an affordable level of coverage for long-term services and supports, help our most vulnerable populations, and save our state Medicaid programs from going bankrupt.

In closing I want to reiterate the urgent need for us to work together on all of the concerns my colleagues and I have raised—both on state and national levels. We have short term needs of meeting our costs and keeping our nursing homes financially viable. We must equip our field to be adaptive to a changing environment and we must create a better process to plan for our future needs. We are providers, taxpayers, and future consumers of long term services and supports; and we urge you to utilize us as resources eager to work with you on these issues. Only by doing so can we develop a better way to assure the vital, quality nursing home services on which our residents rely.